CITY OF MILWAUKEE

DEFERRED COMPENSATION BOARD

INVESTMENT GUIDELINES

STABLE VALUE ACCOUNT (SVA)

I. INVESTMENT OBJECTIVES

The general objectives for investment management of the Account will be as follows:

A. Preservation of principal and interest income reasonably obtained under prevailing market conditions.

B. Liquidity at book value for plan-permitted participant-initiated inter-fund transfers and withdrawals.

C. Account book value interest crediting rates that move generally in the direction of prevailing market rates.

D. Maximized risk-adjusted returns consistent with primary objectives noted above.

The Manager cannot guarantee that these objectives will be achieved.

II. VALUATION AND REPORTING

The assets of the Account will be valued and reported in accordance with the provisions of and amendments to, if any, Statement of Financial Accounting Standards No. 107, American Institute of Certified Public Accountants Statement of Position 94-4, and other standards of financial accounting and reporting, if any, applicable to this Plan and the Account's investments.

Investment performance of the Account on a book value basis will be supplied as needed, but at least quarterly. Book value performance may be shown in comparison to the performance of other constant dollar indices, such as iMoneyNet MFR Money Funds Index (or similar money market index) or a custom book value index of similar duration to that of the Account.

To monitor the investment performance achieved by the Manager for the Account, market value performance of the assets in the Account shall be evaluated over rolling five-year periods against a custom market value benchmark that embodies the characteristics desirable for the Account. This custom benchmark shall consist of the following broad market benchmarks in the weightings shown:

- 5% Barclays Capital U.S. Treasury Bellwether 3-Month Index
- 45% Barclays Capital Custom Short Term Bond Index
- 35% Barclays Capital Intermediate Government/Credit Index
- 15% Barclays Aggregate Bond Index

Changes in economic conditions, market benchmark compositions, plan investment options and the timing and magnitude of cash flows may require altering these broad market benchmarks or weightings from time to time. If these conditions are temporary, it is assumed that over time, conditions will reverse themselves and allow the benchmark to remain valid. If, for some reason conditions affecting performance versus this benchmark become permanent, the Manager and the Board agree to review the market value performance measurement benchmark and make appropriate adjustments.

Performance comparisons will be provided on a quarterly basis. While performance data will be provided from the Account's inception, it is understood that at inception the Account may contain illiquid inherited investments that may create significant tracking error and under- or over-performance in the portfolio for some period of time.

III. APPROVED INVESTMENTS

In general, the assets may be various high quality fixed income investments that, when covered by benefit responsive investment contracts as described below, are intended to provide stable account values. For the avoidance of doubt, instruments described in the Acceptable Assets section below may be held by the Account outside of benefit responsive investment contracts.

A. Investment Contracts

Investment contracts selected for the Account are those that are acceptable by the Manager considering creditworthiness, contract features, and administrative capabilities at the time of purchase. Investment contracts contain provisions requiring the issuing institution to provide plan-permitted liquidity from the Account as needed to satisfy participant-initiated withdrawal requests without reflecting changes in capital value in the amounts withdrawn; provided that the withdrawals are made in accordance with the terms of the contracts as described (without limitation) in Section IV.

(i) Traditional Investment Contracts (including GICs)

Approved traditional investment contracts, including guaranteed investment contracts (GICs), may be purchased from insurance companies, banks or other institutions. A traditional investment contract is a direct obligation backed by the creditworthiness of the issuing entity.

(ii) Separate Account Contracts

Approved separate account contracts may be purchased from insurance companies. The investment performance of these contracts is typically related to a portfolio of investments held inside the separate account. The assets are held in a separate account of the issuer and are protected from other creditors of the issuer. The acceptable assets held in separate account contracts are described in Section III. B.

(iii) Security Backed Investment Contracts (Synthetic GICs)

Approved security backed investment contracts (synthetic GICs, or "wrap" contracts) may be purchased from insurance companies, banks, or other financial institutions. The investment performance of one of these contracts is typically related to a portfolio of investments held in the Account covered by the contract. The acceptable assets held inside security investment contracts are described in Section III. B.

B. <u>Acceptable Assets</u>

Acceptable assets include ERISA-eligible, U.S. dollar denominated, publicly or privately issued fixed-, floating- or variable-rate obligations of the following entities or types:

(i) U.S. Treasury, including TIPS bonds;
(ii) U.S. agency or government-sponsored entity;
(iii) Mortgage pass-through securities (MBS), including To-Be-Announced (TBA) mortgage rolls;
(iv) Structured securities issued by various kinds of trusts, such as:
  a. commercial mortgage-backed securities (CMBS);
  b. collateralized mortgage obligations (CMO);
  c. asset backed securities (ABS);
(v) U.S. or non-U.S. corporations;
(vi) Municipalities;
(vii) Trusts, including but not limited to, trust preferred securities, asset-backed securities, REMICs and units in the Invesco Group Trust for Retirement Savings funds or in any similar pooled or collective investment fund;
(viii) Units of separate accounts available through Separate Account Contracts offered by insurance companies, as approved by the Manager;
(ix) Shares of regulated investment companies;
(x) Foreign government entities;
(xi) Mortgage-backed collateral;
(xii) Fixed income derivatives, such as futures, forwards, options or swap agreements (including, without limitation, interest rate swaps, total return swaps and credit default swaps);
(xiii) Short-term investments (maturing, or invested in instruments maturing, in less than 12 months), including:
  a. U.S. Treasury and U.S. agency-issued securities;
  b. Certificates of deposit and bankers' acceptances of U.S. banks;
  c. Commercial paper;
  d. Bank or other financial institution short-term investment accounts, including such accounts maintained by the Plan's trustee bank;
(xiv) Repurchase agreements, provided that they are no longer than 90 days and have collateral that is marked to market daily; and
(xv) Other securities not listed above that are or become represented in the indices applicable to pooled or commingled investment funds utilized in the Account as permitted in this Section B, provided that other constraints in these guidelines are not violated.

IV. INVESTMENT CONTRACT PROVISIONS

It is understood that:

A. the investment contracts described in Section III generally provide book-value coverage for participant-initiated withdrawals made in accordance with the terms of the Plan and the investment contracts;

B. the Manager shall provide the Board or its representative with copies of all investment contracts purchased for the Account and the Board shall be responsible for complying with the provisions thereof applicable to it.

C. the terms of the investment contracts generally reflect the composition of the participants and the Plan sponsor, and the provisions of the Plan, at the time they are purchased (unless subsequently modified by the parties to such contracts);

D. certain events affecting the Plan sponsor (including, without limitation, mergers, acquisitions, bankruptcy, asset sales, downsizings, early retirement programs) or the Plan (including, without limitation, amendments, design changes, changes in the investment options offered):

(i) require notice to contract issuer;
(ii) may result in a change in payments or in future returns under the investment contract;
(iii) may result in the loss of the book-value accounting treatment for the fixed income assets covered by the investment contract, which could cause the Account to lose book value if the market value of these assets is lower than their book value; or
(iv) may permit the issuer to wind down or terminate the contract, which could result in a loss of the book value accounting treatment of the wrapped assets, which could cause the Account to lose book value if the market value of these assets is lower than their book value; and

E. each of these investment contracts may include provisions allowing the issuer thereof, at any time in its sole discretion, to require that

(i) the Account become partially or entirely invested in more conservative investments than otherwise provided in these Investment Guidelines, along with progressively declining durations (the “Immunization Guidelines”) and

(ii) the assets of the Account continue to be invested in accordance with the Immunization Guidelines throughout the remaining term of the contract, which term may not expire until the market value of the assets of the Account equals or exceeds the book value of the assets of the Account.

V. CREDIT AND DIVERSIFICATION

A. **Traditional Investment Contract** issuers must, at the time of purchase, be rated at least A3/A- by Moody’s, S&P, or other Nationally Recognized Statistical Rating Organization (NRSRO) and approved by the Manager. The maximum percentage of the Account invested with a Traditional Investment Contract issuer shall not exceed 5% at the time of purchase. The maximum percentage of the Account invested in Traditional Investment Contracts shall not exceed 25% at the time of purchase.

B. **Separate Account Contract** issuers must be approved by the Manager at the time of purchase. The maximum percentage of the Account invested with a Separate Account Contract issuer shall not exceed 25% at the time of purchase. Any exception to the maximum must be approved by the Board in writing.

C. **Security Backed Investment Contract** issuers ("wrap" issuers) must be approved by the Manager at the time of purchase. The maximum percentage of the Account invested with a Security Backed Investment Contract issuer shall not exceed 25% at the time of purchase. Any exception to the maximum must be approved by the Board in writing.

D. **Acceptable Assets** as described in Section III.B above must be rated at least investment grade (Baa3/BBB- or equivalent by Moody's, S&P, or other NRSRO) at the time of purchase. In the case of units in a fund of the Invesco Group Trust for Retirement Savings or in any similar pooled or commingled fund, or units in a separate account, or shares of a regulated investment company as provided in Section III.B above, the dollar-weighted average credit quality of such fund's investments must be at least Aa3/AA- by Moody's, S&P or other NRSRO. Short term investments as provided in Section III.B (xiii) above must be rated at least A-1/P-1 at time of purchase.

In the case of a split rated security, the higher rating applies.

The minimum average credit quality of the Account's investments must be Aa3/AA- by Moody's, S&P, or other NRSRO.

The Manager will make all commercially reasonable efforts to allocate the assets of the Account such that exposure to any single sub-adviser does not exceed 25% of the Account's assets, and in no case may exposure to any single sub-adviser exceed 30% unless (a) the limit is exceeded for less than 30 days; (b) the Client has agreed in writing; or (c) the Manager deems the level of investment commercially necessary due to changes in the stable value wrap market.

VI. DURATION

The Account shall normally be managed with a weighted average duration of not less than two nor more than four years. Short-term investments must be included in the calculation of the Account's duration. While a range of two to four years is indicated, the Account will be managed opportunistically, consistent with the investment objectives set forth above.

The Manager is permitted to manage the Account with a duration as short as zero if it judges that such action is prudent to protect principal in the Account.

VII. OTHER CONSTRAINTS

The Manager may use derivatives to replicate cash investments**,** manage yield curve or other risk positions, and to pursue investment strategies generally allowed under these guidelines. In no instance can derivatives be used in a manner inconsistent with the other constraints herein. That is, the use of derivatives must abide by the duration, credit quality, and all other constraints under these guidelines.

VIII. LIQUIDITY MANAGEMENT

In addition to holding short-term investments or other fixed income vehicles allowing ready access to cash for Account liquidity needs, the Manager may utilize other liquidity tools such as lines of credit and other appropriate borrowing arrangements on behalf of the Plan. These vehicles may be used as short-term measures to provide cash as needed for honoring Plan participant withdrawal and transfer requests.

IX. EXCEPTIONS

Exceptions to the Investment Guidelines may be made only following receipt by the Manager of written approval.

X. AMENDMENTS

Amendments to the Investment Guidelines may be made only in accordance with Section XI.B. of the Investment Management Agreement.

EQUITY FUNDS

I. POLICY GOALS and BENCHMARKS

A. Passively Managed U.S. Equity Account (PMUSEA) is designed to track investing in the broad U.S. equity market.

Benchmarks: Dow Jones U.S. Total Stock Market Index

B. Passively Managed International Equity Account (PMIEA) is designed to track the investment performance of international markets. Ordinarily the main emphasis will be on the major foreign markets, as represented by MSCI-EAFE, but may also include emerging markets.

Benchmarks: MSCI World Ex-USA Index and Vanguard Total International Index.

Compared to a benchmark with an 80% allocation to the broad U.S. equity market and a 20% allocation to international equity markets, the Actively Managed Equity Account (AMEA) is designed to outperform over market cycles, but with less volatility on a risk-adjusted basis (as measured by the Account's Sharpe Ratio) through active investment strategies and active management of the fund selections and allocations among the funds.

Benchmark: Performance will be measured on an on-going basis and evaluated compared to a blend of 80% Russell 3000 Index 20% MSCI World Ex-USA Index. The Actively Managed Equity Account is expected to outperform the blended benchmark on a risk-adjusted basis over a rolling 5-year period.

II. GUIDELINES AND CRITERIA FOR SELECTION OF FUNDS INCLUDED IN THE UNIVERSE

The guidelines, criteria and the universe have been developed and recommended by the Investment Advisor and approved by the Deferred Compensation Board. Changes in the guidelines, criteria, and/or universe require approval of the Deferred Compensation Board.

A. <u>Passively Managed U.S. Equity Account (PMUSEA)</u>

1. Track the investment performance of the broad U.S. equity market, including large, mid and small capitalization stocks.

2. To deliver this investment experience cost-effectively.

B. <u>Passively Managed International Equity Account (PMIEA)</u>

1. Track the performance of non-U.S. securities markets, primarily, but not exclusively, the major foreign equity markets.

2. To deliver this investment experience cost-effectively.

C. Actively Managed Equity Account

1. Funds with daily valuation available for investment in the Plan.

2. All funds must have total net assets of at least $25 million in the strategy or product at time of purchase. With the prior approval of the Executive Finance Committee (EFC), funds with less than $25 million in total net assets may be considered so long as the investment advisor to the fund has at least $25 million in assets under management and the Plan's investment in the fund will not exceed 9% of the fund's total net assets. (This provision allows for the use of start-up and incubator funds, with approval of the Executive Finance Committee, but in limited amounts.)

3. All investments will be without sales charges, either front-end or deferred sales charges.

4. Identifiable record, at least 5 years long, although the record may have been compiled at a different fund or different firm so long as the Plan's advisor can document to the satisfaction of the EFC that this is an experienced, accomplished investment team with a consistently applied and successful strategy.

5. Funds may be selected from any Lipper, Inc. Classification and/or investment category included in the Lipper, Inc. databank.

6. Funds employing strategies that involve short selling, margin or derivative securities as part of the basic investment strategy, not for cash management purposes may be purchased and reported to the EFC at the next meeting accompanied by the rationale for the investment. These funds will be considered part of the Specialty and Sector Category for diversification purposes regardless of the Lipper Inc. Category.

III. PORTFOLIO CONSTRUCTION

The policies regarding Portfolio construction are approved by the Deferred Compensation Board.

A. Passive Managed U.S. Equity Account (PMUSEA) Portfolio Option

	Policy Range
Dow Jones U.S. Total Stock Market Index	97-100%
Liquidity vehicle	0-3%

B. Passive Managed International Equity Account (PMIEA) Portfolio Option

The allocation to emerging markets vs. developed markets will be dictated by the weightings in the Vanguard FTSE All-World ex-US Fund.

	Policy Range
International Index Fund	97-100%
Liquidity vehicle	0-3%

C. AMEA Portfolio Option

1. Funds may be selected from any Lipper, Inc. classification and/or investment category included in the Lipper, Inc. database.

2. No single fund can exceed 25% of the account's total net assets.

3. The account may not have more than 25% of assets invested in funds managed by one fund family.

4. The account may not have more than 25% of assets invested in one registered investment advisor.

	Policy Range
Diversified Domestic Equity Funds	55-100%
International Funds	0-25%
Sector and/or Specialty Funds	0-20%

The advisor will report to the Executive Director and Executive Finance Committee any and all material changes to the make-up of the account at the time of any discretionary activity. Material changes include investing in a new fund, deletion of a fund or a shift of more than 5% of the account's assets.

ACTIVELY MANAGED INCOME ACCOUNT (AMIA)

I. POLICY GOALS

A. Objective - The objective of the AMIA is first to provide total return through the pursuit of high income to compound tax deferred and secondarily preservation of capital by pursuit of positive returns over a calendar year. The account may include all major bond fund types and certain equity mutual funds with an income objective. The underlying securities may have a variety of maturities, credit qualities and yields. The account may, at times, emphasize investing in medium and lower credit quality bonds in order to garner the benefit of high current income. The account will seek to reduce credit risk through diversification among mutual funds.

B. Strategy Evaluation - Because investors in the AMIA experience more variability in return, including the possibility of negative returns over a year's time, the AMIA is expected to produce a higher total return than the Stable Value Account, when measured over a 5 year time horizon. As a fixed income strategy with less risk of loss than the equity oriented accounts, it is expected to underperform the equity oriented accounts over time.

Account Performance - The benchmarks by which the advisor, subadvisor and strategy will be regularly evaluated include:

1. Total return compared to Barclays Aggregate Bond Index on a rolling 5-year and 10-year basis.

2. Total return compared to the Stable Value Fund on a rolling 5-year basis.

3. The risk-adjusted return (as measured by the Sharpe Ratio) compared to Barclays Aggregate Bond Index on a rolling 5-year and 10-year basis is expected to be higher.

Investment Fund Selection – Over shorter and longer time periods, each of the mutual funds used in the AMIA will be compared to the average of its peer group.

II. PORTFOLIO CONSTRUCTION

A. The policies regarding portfolio construction are approved by the Deferred Compensation Board.

1. Funds may be selected from any Lipper Inc. fixed income classification and/or fixed income investment category.

2. In addition, funds may be selected from the Flexible Income, Income, Mixed Assets, Real Estate, and Large Value and Equity Income categories.

3. The following diversification guidelines apply:

Category	Maximum Allocation
High current	40%
All equity and equity related categories combined	20%
All international categories	25%

4. No single fund can exceed 25% of the account's total net assets.

5. The account may not have more than 25% of assets invested in funds managed by one fund family with the exception of Vanguard because of its index funds and low cost funds.

6. The account may not have more than 25% of assets invested in one registered investment advisor, with the exception of Vanguard because of its index and other low cost passively managed funds.

III. GUIDELINES AND CRITERIA FOR SELECTION OF FUNDS

A. Diversify the selection of funds across fixed income and selected equity categories.

B. Select funds with competitive total return and competitive yield, while striving to reduce volatility across the Income Account.

C. Select funds which appear to have a well-defined management approach, consistently applied.

D. Include mutual funds which can be purchased by the Account without a sales load and have competitive expense ratios.

E. Consider size of fund and ease of use.

F. The advisor has discretion to select and invest in funds that meet the following criteria:

1. Funds with daily valuation available for investment in the Plan.

2. All funds must have total net assets of at least $25 million in the strategy or product at time of purchase. With the prior approval of the Executive Finance Committee (EFC), funds with less than $25 million in total net assets may be considered so long as the investment advisor to the fund has at least $25 million in assets under management and the Plan's investment in the fund will not exceed 9% of the fund's total net assets. (This provision allows for the use of start-up and incubator funds, with approval of the Executive Finance Committee, but in limited amounts.)

3. All investments will be without sales charges, either front-end or deferred sales charges.

4. Identifiable record, at least 5 years long, although the record may have been compiled at a different fund or different firm so long as the Plan's advisor can document to the satisfaction of the EFC that this is an experienced, accomplished investment team with a consistently applied and successful strategy.

BALANCED SOCIALLY CONSCIOUS ACCOUNT (BSCA)

I. POLICY GOALS

BSCA is designed to equal or exceed the returns of a blended benchmark consisting of 60% Russell 3000 Index/40% Barclays Aggregate Bond Index.

II. GUIDELINES AND CRITERIA FOR SELECTION OF FUNDS INCLUDED IN THE UNIVERSE

The guidelines, criteria and the universe have been developed and recommended by the Investment Advisor and approved by the Deferred Compensation Board. Changes in the guidelines, criteria, and/or universe require approval of the Deferred Compensation Board.

A. Balanced Socially Conscious Account
1. Socially conscious constraints consistent with the respondents' preferences.
2. Acceptable performance.
3. Well defined approach to investment management, consistently applied.
4. Cost effective
5. Within its objective, prudent diversification
6. Size of fund, ease of use.

B. See Attachment "A" which includes the approved Universe of Funds

III. PORTFOLIO CONSTRUCTION

A. BSCA Portfolio Option

	Policy Range
Balanced Funds	0-50%
Equity Index	5-35%
Equity Funds	20-60%
Treasury and GNMA Funds	15-40%
Funds investing in other than GNMA's Government Agencies	0-40%
Investment Grade Debt Funds	0-20%

The Index funds proportions in the BSCA portfolio may vary within the approved policy range depending upon market proportions as outlined in Operating Procedures. The BSCA portfolio funds may vary depending upon cash flows and market considerations as outlined in the Operating Procedures. The Investment Advisor has discretion to make reasonable market judgments on allocation of new cash, redemptions, and rebalancing within the approved ranges.

Fund selection within the approved universe may be changed, upon the recommendation of the Investment Advisor, by the Deferred Compensation Executive Finance Committee so long as the goals, objectives, and policies on the portfolio construction are within the approved guidelines. The guidelines for the goals, objectives, and policy ranges on portfolio construction can only be amended by the Deferred Compensation Board.

MODEL PORTFOLIOS

I. POLICY GOALS

Create Portfolios with different investment objectives to allow participants investment choices that alleviate the need to create asset allocations directly.

There are four investment Portfolios with different goals and guidelines designed to meet various return and risk combinations: Conservative, Accumulator, Wealth Builder and Aggressive. Each Portfolio is constructed using various combinations of Plan Accounts. Each Portfolio's structure may be changed on the advice of the Plan's Investment Advisor with notice to participants in the quarterly Employee Memo and implementation of any changes in the first week of the third month of each calendar quarter.

Conservative Portfolio
This portfolio focuses on capital preservation and reducing risk. It may be appropriate if you have a short investment time horizon, perhaps because you plan to retire within the next few years or if you are in distribution.

Accumulator Portfolio
Seeking modest growth while attempting to limit market value volatility of the portfolio, this portfolio may be appropriate if you have an intermediate time horizon or are uncomfortable with significant fluctuation in the value of the account.

Wealth Builder Portfolio
This portfolio seeks growth and total returns to outpace inflation. If you have a longer time horizon, 5 to 10 years, or may have started saving at a later age but are comfortable with greater principal volatility, this portfolio may be right for you. There may be significant changes in returns including negative returns from time to time.

Aggressive Portfolio
This portfolio seeks substantial growth over time. It is most appropriate if you have a long time horizon, ten or more years, and you can tolerate fluctuations in the market. Investors may experience significant swings in returns and returns may be negative for multiple periods in a row.

Portfolio Construction and Asset Allocation Guidelines

	Conservative		Accumulator		Wealth Builder		Aggressive	
	Min	Max	Min	Max	Min	Max	Min	Max
Stable Value	40%	60%	10%	30%	10%	30%	0%	20%
AMIA	20	40	25	45	10	30	10	30
PMUSEA	0	15	0	20	5	25	10	30
PMIEA	0	10	0	10	0	15	0	20
AMEA	5	25	25	45	30	50	30	50

Blended Benchmarks

Conservative Portfolio:

17% Russell 3000 Index

3% MSCI All-Country World ex-US Index
30% Barclays Aggregate Index
50% Merrill Lynch 1-3 Government/Credit

Accumulator Portfolio:

38% Russell 3000 Index

7% MSCI All-Country World ex-US Index
35% Barclays Aggregate Index
20% Merrill Lynch 1-3 Government/Credit Index

Wealth Builder Portfolio:
47% Russell 3000 Index
13% MSCI All-Country World ex-US Index
20% Barclays Aggregate Index
20% Merrill Lynch 1-3 Government/Credit

Aggressive Portfolio:
52% Russell 3000 Index
18% MSCI All-Country World ex-US Index
20% Barclays Aggregate Index
10% Merrill Lynch 1-3 Government/Credit Index

Adopted	08-19-93				
Amended	11-18-93	08-02-01	8-03-06	12-05-08	
	05-05-94	11-15-01	10-13-06 draft	06-03-09	
	08-04-94	02-07-02	11-16-06	08-20-09	
	11-21-96	11-21-02	02-01-07	05-06-10	
	02-06-97	08-07-03	08-02-07	05-25-11	
	08-07-97	05-06-04	11-15-07	11-17-11	
	11-18-99	08-05-04	05-01-08	02-16-12	Model Portfolios added
	11-16-00	11-17-05	08-07-08		

05-03-12 – SVA Section III, Item 2a Issuer-changing the previous maximum from 25% to 40%
08-07-12 – Benchmark changes in the AMEA and BSCA
10-29-12 – SVA temporary waiver granted not to exceed 50% of the cash limit
03-15-13 – SVA Section III-B. – collective investment trust or pooled investment vehicles
05-02-13 – SVA Section I, Item 2a. Manager Performance-benchmark, Section II-A. Portfolio Construction, Target Portfolio – Target Range
05-23-13 – SVA Section III-B – technical amendment for clarity
11-07-13 – Revised model portfolio target ranges and added blended benchmarks
03-06-14 – SVA – onboarding of Invesco as SVA Manager
02-03-15 – PMUSEA/PMIEA Section III-A and B – 3% cash position

Ref: Investment Guidelines 2-3-15